

Message Text

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42

ACTION SS-25

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TO SECSTATE WASHDC IMMEDIATE 224

INFO AMEMBASSY BUDAPEST PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 SOFIA 2025

EXDIS

DEPTO 34

E.O. 11652: GDS

TAGS: OVIP (INGERSOLL, ROBERT S.), PFOR, HU

SUBJECT: DEPUTY SECRETARY'S CONVERSATIONS WITH HUNGARIAN OFFICIALS

1. DEPUTY SECRETARY MET ON SEPTEMBER 15 IN BUDAPEST WITH HUNGARIAN OFFICIALS, IN ACCORDANCE WITH CAREFULLY DEvised AND ORCHESTRATED SEQUENCE. STATE SECRETARY FOR FOREIGN AFFAIRS MARJAI, AS DEPUTY SECRETARY'S OPPOSITE NUMBER AND HOST, RECEIVED THE DEPUTY SECRETARY WITH STUDIED COURTESY, REVIEWED THE PROGRAM FOR THE DAY AND SET THE STAGE FOR THE UNFOLDING DISCUSSIONS. MARJAI SPOKE DISPASSIONATELY ABOUT THE COURSE OF OUR RELATIONS IN RECENT YEARS BUT WAS DECIDEDLY POSITIVE CONCERNING THE FUTURE. HE MADE ABUNDANTLY CLEAR THE PRIMACY OF THE ECONOMIC ASPECTS OF OUR RELATIONS IN THE MINDS OF HUNGARIANS. THE DEPUTY SECRETARY THEN MET IN SEQUENCE WITH ANDRAS GYENES (CENTRAL COMMITTEE MEMBER OF THE HUNGARIAN SOCIALIST WORKERS PARTY AND CHAIRMAN OF THE NATIONAL ASSEMBLY'S FOREIGN RELATIONS COMMITTEE), FOREIGN MINISTER FRIGYES PUJA, FOREIGN TRADE MINISTER JOZSEF BIRO, AND FINALLY DEPUTY PRIME MINISTER GYULA SZEKER. EACH CONVERSATION COVERED MUCH THE SAME GROUND WITH MINOR VARIATIONS, SUGGESTING THAT THE HUNGARIANS HAD CAREFULLY THOUGHT THROUGH THEIR OBJECTIVES FOR THE DEPUTY SECRETARY'S VISIT. THE MAJOR SUBJECTS WERE AS FOLLOWS.

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2. US-HUNGARIAN RELATIONS - MARJAI ESTABLISHED ONE THEME IN THE DAY'S DISCUSSIONS BY OBSERVING THAT THE PRESENT LEVEL OF US-HUNGARIAN RELATIONS IS FAR BELOW WHAT

IS POSSIBLE. THE GOH IS PREPARED AND INDEED DESIRES TO IMPROVE RELATIONS, AND WISHES TO DEAL WITH THE FUTURE NOT THE PAST, THOUGH TAKING INTO CONSIDERATION FACT THAT "OBSTACLES OF THE PAST MUST BE ELIMINATED IN A MATERIAL WAY". GYENES EXPLICITLY MADE THE POINT BY CITING ECONOMIC DISCRIMINATION AND USG POSSESSION OF THE CROWN AND REGALIA AS IMPEDIMENTS TO NORMALIZATION.

3. TRADE ACT - EACH HUNGARIAN OFFICIAL ACKNOWLEDGED THE DISTINCTION BETWEEN CONGRESSIONAL ATTITUDES ON TRADE RESTRICTIONS AND THE EFFORTS OF THE EXECUTIVE BRANCH TO ELIMINATE THEM. THEY ASSERTED THAT THE GOH IS NOT LOOKING FOR "GIFTS", BUT DESIRES TRADE RELATIONS ON A "FAIR" BASIS AND FOR MUTUAL ADVANTAGE. THE DEPUTY SECRETARY ASSERTED THAT WE CAN AND SHOULD INCREASE OUR TRADE EVEN IN THE ABSENCE OF MFN, A POINT TO WHICH ALL THE HUNGARIAN OFFICIALS GAVE VIGOROUS ASSENT. BIRO COMMENTED THAT THE GOH HOPES THIS PERIOD OF INCREASED TRADE BEFORE MFN WILL BE AS SHORT AS POSSIBLE.

4. TRADE AND COMMERCE - THE PHRASE "JOINT VENTURES" CONSTANTLY RECURRED IN REMARKS BY THE HUNGARIANS. BIRO FINALLY CONFIRMED THAT THIS WAS A MISNOMER FOR WHAT MIGHT BETTER BE DESCRIBED AS COOPERATIVE VENTURES. THE HUNGARIANS HAVE HAD A SUCCESSFUL ARRANGEMENT WITH STEIGER (FARGO, N.D.) FOR PRODUCTION OF TRACTORS, IN WHICH TECHNOLOGY AND PARTS ARE EXCHANGED FOR A PERCENTAGE OF PRODUCTION. THE DEPUTY SECRETARY URGED THE HUNGARIANS TO EXPLORE FURTHER POSSIBILITIES OF THIS NATURE. HE PROMISED TO ENCOURAGE AMERICAN BUSINESSMEN TO VISIT HUNGARY, AND ASKED THAT HUNGARIAN OFFICIALS COME TO THE US TO ASSESS WHAT OPPORTUNITIES MIGHT EXIST FOR TRADE NOW AS WELL AS AFTER MFN IS EXTENDED. BIRO MENTIONED THAT HE HAD GIVEN A LIST OF TRADE OPPORTUNITIES TO THEN COMMERCE SECRETARY DENT BUT HE COULD NOT SUGGEST IMMEDIATELY OTHER FIELDS IN WHICH "COOPERATIVE VENTURES" COULD TAKE PLACE. ONE PROBLEM, HE SAID, IS THAT HUNGARIAN
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PRODUCTION IS ALREADY COMMITTED UNTIL 1980. BIRO SUGGESTED ANOTHER FORM OF COOPERATION COULD TAKE PLACE IN A COMBINATION OF PRODUCTION AND FINANCING. THE GOH IS NOT ABLE TO SUPPLY ADEQUATE INVESTMENT FUNDS AND HUNGARY CLEARLY NEEDS LARGER AND MORE FAVORABLE CREDITS, BUT A BOTTLENECK ARISES SINCE SELLERS WILL EXTEND CREDITS ONLY FOR REPAYMENT IN CONVERTIBLE CURRENCIES. HUNGARY THEREFORE WOULD VERY MUCH WELCOME CONVERTIBILITY OF THE RUBLE. THE DEPUTY SECRETARY REMINDED THE HUNGARIANS OF THE COMING VISIT OF SECRETARY MORTON AS A MAJOR OPPORTUNITY TO DISCUSS TRADE PROSPECTS IN GREATER DETAIL.

5. CROWN AND REGALIA - GYENES, PUJA AND SZEKER ALL PLACED GREAT EMPHASIS ON THE RETURN TO HUNGARY OF THE CROWN AND REGALIAS. THEY REPEATED THE FAMILIAR ARGUMENTS ON ITS SYMBOLIC SIGNIFICANCE AND NOTED PRESSURES ON THE GOVERNMENT FROM INTELLECTUALS AND THE CHURCH IN PARTICULAR. PUJA SAID THE GOH IS "NOT IMPATIENT", BUT THE ISSUE MUST BE RESOLVED BEFORE WE CAN BE SAID TO HAVE NORMALIZED RELATIONS. HE ASKED THAT THE DEPARTMENT CAREFULLY STUDY THE PROBLEM. THE DEPUTY SECRETARY RESPONDED TO PUJA, AS HE HAD TO GYENES, THAT THERE SHOULD BE AN OPPORTUNITY TO PURSUE THIS SUBJECT AS OUR NEW RELATIONSHIP UNFOLDS. HE PROMISED THAT ON RETURN TO WASHINGTON HE WOULD LOOK INTO THE MATTER AND SEE IF SOMETHING MIGHT BE DONE IN DUE COURSE.

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ACTION SS-25

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INFO AMEMBASSY BUDAPEST PRIORITY

C O N F I D E N T I A L SECTION 2 OF 2 SOFIA 2025

EXDIS

DEPTO 34

6. CALL ON PUJA - THE MEETING WITH PUJA WAS OBVIOUSLY THE CENTERPIECE OF THE DAY'S DISCUSSIONS. HE OPENED WITH A REFERENCE TO THE CSCE ACHIEVEMENTS AT HELSINKI AND HIS APPRECIATION (SHARED BY KADAR AND PRIME MINISTER LAZAR) FOR SECRETARY KISSINGER'S INITIATIVE IN ARRANGING A BILATERAL MEETING THERE. THE DEPUTY SECRETARY RESPONDED THAT SECRETARY KISSINGER HAD ASKED HIM TO FOLLOW UP ON THIS IMPROVING RELATIONSHIP BETWEEN OUR COUNTRIES, HENCE HIS VISIT. PUJA STRONGLY ENDORSED A CONTINUING EXCHANGE OF VISITS, BY SECRETARY KISSINGER TO HUNGARY ("AS HE PROMISED IN HELSINKI") OR BY OTHER OFFICIALS. HE ALSO PROPOSED REGULAR MEETINGS BETWEEN OFFICIALS OF OUR TWO FOREIGN MINISTRIES FOR GENERAL DISCUSSION OF MUTUAL INTERESTS.

7. PUJA ASSERTED THAT US-HUNGARIAN RELATIONS HAVE NOT DEVELOPED QUICKLY ENOUGH. IN THIS CONNECTION HE CITED

THREE AREAS ON WHICH HE PROPOSED WE SHOULD START BY
ACHIEVING SOLUTIONS:

(A) THE TRADE ACT AND MFN (HE OBSERVED THAT
HUNGARY HAS INTENTIONALLY NOT BEEN DIFFICULT ON CLAIMS OR
THE GOLD COINS ISSUE);

(B) CROWN AND REGALIA;
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(C) "US REQUIREMENTS" SUCH AS EXPANDING THE
INFORMATION ACTIVITIES OF THE EMBASSY.

8. TURNING TO INTERNATIONAL AFFAIRS, PUJA ASSERTED THAT
THE GOH PROPOSES TO CARRY OUT THE HELSINKI AGREEMENT TO
THE MAXIMUM. HUNGARY WANTS A "TOTAL REALIZATION" OF ALL
ASPECTES OF THE FINAL ACT, NOT A SELECTIVE ONE.
CONTRARY TO REPORTS IN THE WESTERN PRESS, HUNGARY IS
NOT AFRAID OF A FULL REALIZATION OF BASKET III. CONCERN-
ING DETENTE, THE GOH ACKNOWLEDGES THAT MILITARY DISENGAGE-
MENT MUST ACCOMPANY POLITICAL DETENTE IF THE LATTER IS TO
SURVIVE. HE ADDED THAT HUNGARY WOULD WELCOME FASTER
PROGRESS IN MBFR. THE DEPUTY SECRETARY AT THE OUTSET OF
THE MEETING HAS REFERRED TO THE ACHIEVEMENTS AT HELSINKI
BUT NOTED PRESIDENT FORD'S OBSERVATION THERE THAT WHILE
THE GROUNDWORK HAD BEEN LAID, IT WAS NOT UP TO BOTH SIDES
TO PRODUCE CONCRETE RESULTS. WE THEREFORE LOOK FORWARD TO
GENUINE PROGRESS ON MBFR. AFTER PUJA'S REMARKS, THEREFORE,
THE DEPUTY SECRETARY WAS ABLE TO REITERATE OUR INTEREST
IN CONCRETE REALIZATION OF THE TERMS OF THE FINAL ACT.
HE ALSO OUTLINED OUR CURRENT REQUIREMENTS ON MBFR WHICH
WILL INVOLVE ASYMMETRICAL REDUCTIONS TO OFFSET EXISTING
IMBALANCES. PUJA OBSERVED THAT SOME WESTERN EUROPEAN
COUNTRIES SEEM TO CONFUSE ARMS REDUCTIONS WITH THE QUITE
SEPARATE PROBLEM OF THEIR OWN COMMUNIST PARTIES.
"THE TIME IS LONG PAST WHEN MOSCOW CONTROLLED THE
COMMUNIST PARTIES" IN WESTERN EUROPE. IN A RELATED
REMARK, HE ARGUED THAT THE CYPRUS AND PORTUGAL PROBLEMS
SHOULD BE PERMITTED TO EVOLVE WITHOUT FOREIGN INTERFERENCE,
AND ASSERTED THAT "QUITE PROBABLY THERE WILL NOT BE A
COMMUNIST GOVERNMENT IN PORTUGAL, WHICH IS NOW
IN A TRANSITIONAL PHASE".

9. PUJA EXPRESSED SKEPTICISM ABOUT THE INTERIM AGREEMENT
IN THE MIDDLE EAST BECAUSE IT DOES NOT SOLVE THE OVERALL
PROBLEM. THE DEPUTY SECRETARY RESPONDED FIRMLY AND IN
DETAIL WITH THE REASONS WHY WE BELIEVE AN INTERIM AGREE-
MENT WAS THE ONLY POSSIBLE HOPE FOR PROGRESS TOWARD PEACE
AT THIS TIME.

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10. DC-LDC RELATIONS - THE DEPUTY SECRETARY OBSERVED TO PUJA THAT SECRETARY KISSINGER IS SEEKING WAYS TO REDUCE THE ATMOSPHERE OF CONFRONTATION BETWEEN THE DEVELOPED AND LESS DEVELOPED COUNTRIES. HE MENTIONED THE SECRETARY'S SEPTEMBER 1 SPEECH AT THE UN SPECIAL SESSION AND ASKED FOR HUNGARIAN REACTIONS. PUJA RESPONDED THAT THE GOH IS STUDYING THE SPEECH AND HOPES TO REACT SOON. HE ASSERTED THAT THE GOH IS IN A "DELICATE POSITION" SINCE IT HAS NOT SO FAR BEEN INCLUDED IN NEGOTIATIONS ON THIS SUBJECT. HE ADDED THAT THE GOH DOES NOT WANT CONFROMTATION WHICH REDOUNDS TO ITS ECONOMIC DETRIMENT.

11. DIVIDED FAMILIES - THE DEPUTY SECRETARY RAISED THE QUESTION OF DIVIDED FAMILIES, NOTING THAT THIS IS NOT A SIGNIFICANT IRRITANT AS IN THE CASE OF OUR RELATIONS WITH SOME OTHER EASTERN EUROPEAN COUNTRIES. PUJA AND SZEKER NOTED THAT THE GOH WILL CONTINUE TO HANDLE THE PROBLEM IN A LIBERAL WAY.

12. USG PROPERTY IN HUNGARY - THE DEPUTY SECRETARY RAISED THE PROBLEM OF USG PROPERTY WITH MARJAI AND ASKED THAT THE GOH WORK TO RESOLVE THIS PROBLEM WITH AMBASSADOR MCAULIFFE.

13. INVITATIONS TO VISIT US - THE DEPUTY SECRETARY FORMAL-
LY INVITED MARJAI TO VISIT THE US AT SOME MUTUALLY
CONVENIENT TIME. HE ALSO MADE A GENERAL SUGGESTION TO
GYENES AND SZEKER THAT THEY FIND OPPORTUNITIES TO VISIT.
INGERSOLL

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